

Saudi Basic Industries Corporation (SABIC)

Substantial impairment charge on Teesside Cracker and lower average selling price resulted in losses

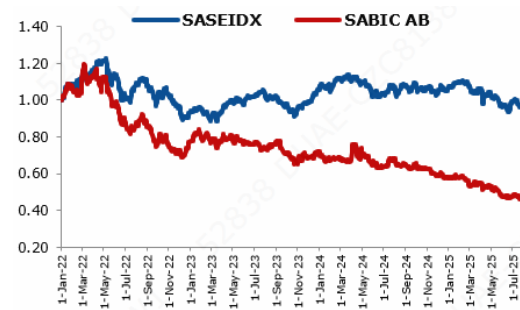
Current Price
SAR 57.35

Target Price
65.00

Upside/Downside (%)
+13%

Rating
ACCUMULATE

- Petrochemicals revenue declined 2.8% YOY and increased 2.9% QOQ to SAR 32.4 Bn in 2Q25, while Agri-Nutrients rose 32.3% YOY and 2% QOQ to SAR 3.2 Bn.
- Total Revenue increased 2.8% QOQ, primarily due to licensing revenue of SAR 863 Mn along with increased sales volume in 2Q25.
- Petrochemicals segment EBITDA declined 24.7% YOY to SAR 3.7 Bn in 2Q25, whereas Agri-Nutrients EBITDA expanded 51.2% YOY to SAR 1.2 Bn.
- SABIC revised its guidance with a capex from USD 3.5-4.0 Bn to USD 3.0-3.5 Bn for 2025.
- The Company announced to distribute an interim cash dividend of SAR 1.50 per share for 1H25.



Stock Information

| | |
|---------------------------|-------------|
| Market Cap (SAR, mn) | 172,050.00 |
| Paid Up Capital (mn) | 30,000.00 |
| 52 Week High | 76.80 |
| 52 Week Low | 53.00 |
| 3M Avg. daily value (SAR) | 105,613,900 |

2Q25 Result Review (SAR, Bn)

| | |
|--------------|-------|
| Revenue | 35.57 |
| EBITDA | 4.91 |
| Net Profit | -4.07 |
| Total Equity | 153.9 |

Financial Ratios

| | |
|-------------------------|--------|
| Dividend Yield (12m) | 5.93 |
| Dividend Pay-out (%) | 486.66 |
| Price-Earnings Ratio(x) | N/A |
| Price-to-Book Ratio (x) | 1.12 |
| Book Value (SAR) | 51.29 |
| Return-on Equity (%) | -3.88 |

Stock Performance

| | |
|------------------------|---------|
| 5 Days | 4.75% |
| 1 Months | 2.87% |
| 3 Months | -2.30% |
| 6 Months | -15.41% |
| 1 Year | -23.64% |
| Month to Date (MTD%) | 4.94% |
| Quarter to Date (QTD%) | 4.94% |
| Year to Date (YTD%) | -14.40% |

2Q25 Net Profit lower than our estimates

Saudi Basic Industries Corporation ("SABIC", "The Company") reported a net loss of SAR 4.1 Bn in 2Q25, lower than our estimated loss of SAR 828 Mn. The decline in net profit is mainly attributed to the impact of the Teesside cracker closure and impairment on Clariant investment due to a decrease in share price, along with higher cost of sales, operating expenses, and a marginal fall in revenue.

P&L Highlights

SABIC's revenue reduced marginally 0.4% YOY to SAR 35.6 Bn in 2Q25, owing to lower average selling prices partially offset by a rise in sales volume along with an additional licensing revenue of SAR 863 Mn from SABIC Fujian Petrochemicals. Petrochemicals revenue declined 2.8% YOY but increased 2.9% QOQ to SAR 32.4 Bn in 2Q25. Methyl tert-butyl ether (MTBE) prices fell in 2Q25, attributed to lower seasonal demand coupled with excess supply. Similarly, methanol prices reduced in 2Q25 due to a rise in inventory levels and surplus supply. Moreover, PE prices were weak owing to lower naphtha and bearish market sentiment. On the other hand, revenue from Agri-Nutrients rose 32.3% YOY and 2.0% QOQ to SAR 3.2 Bn in 2Q25. The QOQ growth is due to increased sales fueled by a rise in production. Urea prices declined as a result of usual seasonality in 2Q25, partially offset by regional political tensions and strong demand. SABIC's cost of sales grew 9.2% YOY to SAR 31.2 Bn in 2Q25. Thus, gross profit decreased substantially 38.6% YOY and 8.1% QOQ to SAR 4.4 Bn in 2Q25. The QOQ decline is primarily due to an impairment charge relating to the closure of the cracker facility in Teesside. The Company recorded an operating loss of SAR 1.9 Bn in 2Q25 compared to a profit of SAR 2.1 Bn in 2Q24. Petrochemicals segment EBITDA declined 24.7% YOY to SAR 3.7 Bn in 2Q25, whereas Agri-Nutrients EBITDA expanded 51.2% YOY to SAR 1.2 Bn. As a result, the total EBITDA

declined from SAR 5.7 Bn in 2Q24 to SAR 4.9 Bn in 2Q25. SABIC recorded a zakat charge of SAR 284 Mn in 2Q25, down from a reversal of SAR 545 Mn in 2Q24.

Balance Sheet Highlights

The Company's free cash flow turned positive to SAR 0.9 Bn in 2Q25 from negative SAR 1.4 Bn in 1Q25, primarily due to solid cash flow from operations. Moreover, the Company's net debt to adjusted EBITDA improved from positive 0.06x in 1Q25 to negative 0.13x in 2Q25. In addition, SABIC's net cash position reached SAR 2.7 Bn in 2Q25 while the shareholder equity after minority interest stood at SAR 153.9 Bn.

Target Price and Rating

We revise our rating on SABIC from BUY to ACCUMULATE with a revised target price of SAR 65.00. SABIC's revenue marginally declined in 2Q25 due to a decline in average selling prices, partially offset by higher volumes. However, SABIC reported a substantial impairment charge amounting to SAR 3.8 Bn from the closure of the cracker unit in Teesside, England. The Company indicates the possibility of future impairments depending on the portfolio review. SABIC plans to undertake portfolio optimization by permanently shutting the Teesside Cracker and converting it into a gas cracker for processing ethane feedstock. Furthermore, SABIC revised its capex from USD 3.5-4.0 Bn to USD 3-3.5 Bn for 2025 and focuses on reallocation of capital away from underperforming regions (like Europe and America) to opportunities with higher margins. SABIC is progressing on its Fujian Petrochemical Complex and MTBE Project while launching a transformation program targeting USD 3 Bn in recurring annual EBITDA by 2030, split between USD 1.4 Bn from cost efficiencies and USD 1.6 Bn from value creation. Meanwhile, SABIC expects the Petrokemya expansion project in Jubail, with an annual capacity of 1 Mn metric tons, to start trial operations in 3Q25, while the Fujian project in China is scheduled for inauguration in the 2H26. The Company announced an interim cash dividend of SAR 1.50 per share for 1H25, equivalent to USD 1.2 Bn, with an annual dividend yield of 5.2% for 2025. Thus, considering the above factors, we assign an ACCUMULATE rating on the stock.

SABIC - Relative valuation

| (at CMP) | 2020 | 2021 | 2022 | 2023 | 2024 | 2025F |
|----------------|--------|--------|--------|--------|--------|--------|
| PE | NM | 7.45 | 10.39 | -61.95 | 111.63 | NM |
| PB | 0.88 | 0.81 | 0.79 | 0.88 | 0.93 | 1.02 |
| EV/EBITDA | 10.88 | 4.06 | 5.18 | 9.99 | 10.01 | 13.54 |
| EPS | 0.022 | 7.689 | 5.510 | -0.924 | 0.513 | NM |
| BVPS | 64.746 | 70.611 | 72.539 | 65.094 | 61.306 | 56.005 |
| DPS | 3.000 | 4.000 | 4.250 | 3.400 | 3.400 | 3.000 |
| Dividend yield | 5.2% | 7.0% | 7.4% | 5.9% | 5.9% | 5.2% |

FABS Estimates & Co Data

SABIC - P&L

| SAR Mn | 2Q24 | 1Q25 | 2Q25 | 2Q25F | Var. | YOY Ch | QOQ Ch | 2024 | 2025F | Change |
|-----------------------------|---------------|---------------|---------------|---------------|--------------|---------------|--------------|----------------|----------------|---------------|
| Sales | 35,719 | 34,594 | 35,570 | 34,410 | 3.4% | -0.4% | 2.8% | 139,981 | 140,471 | 0.4% |
| Cost of Sales | -28,525 | -29,786 | -31,150 | -29,593 | 5.3% | 9.2% | 4.6% | -114,357 | -120,512 | 5.4% |
| Gross profit | 7,194 | 4,809 | 4,420 | 4,817 | -8.3% | -38.6% | -8.1% | 25,624 | 19,959 | -22.1% |
| Total Operating exp. | -5,093 | -5,582 | -6,300 | -5,626 | 12.0% | 23.7% | 12.9% | -19,886 | -18,402 | -7.5% |
| Operating profit | 2,101 | -773 | -1,880 | -809 | NM | NM | NM | 5,737 | 1,557 | -72.9% |
| EBITDA | 5,700 | 2,503 | 4,910 | 2,386 | NM | -13.9% | 96.2% | 19,470 | 14,388 | -26.1% |
| Zakat | 545 | -410 | -284 | 283 | NM | NM | -30.8% | -214 | 159 | NM |
| Profit attributable | 2,184 | -1,211 | -4,070 | -828 | NM | NM | NM | 1,539 | -2,212 | NM |

FABS estimate & Co Data

SABIC - Margins

| | 2Q24 | 1Q25 | 2Q25 | YOY Ch | QOQ Ch | 2024 | 2025F | Change |
|------------------|-------|-------|--------|--------|--------|-------|-------|--------|
| Gross Profit | 20.1% | 13.9% | 12.4% | -771 | -147 | 18.3% | 14.2% | -410 |
| EBITDA | 16.0% | 7.2% | 13.8% | -215 | 657 | 13.9% | 10.2% | -367 |
| Operating Profit | 5.9% | -2.2% | -5.3% | -1,117 | -305 | 4.1% | 1.1% | -299 |
| Net Profit | 6.1% | -3.5% | -11.4% | -1,756 | -794 | 1.1% | -1.6% | -267 |

FABS estimate & Co Data

Valuation:

We use Discounted Free Cash Flow (DCF), Relative Valuation (RV), and Discounted Dividend Method (DDM) to value Saudi Basic Industries Corporation. We have assigned 70% weight to DCF and 15% to RV and DDM.

| Valuation Method | Target | Weight | Weighted Value |
|---|--------|--------|----------------|
| DCF Method | 66.51 | 70.0% | 46.56 |
| DDM Method | 60.88 | 15.0% | 9.13 |
| Relative Valuation (RV) | 62.05 | 15.0% | 9.31 |
| Weighted Average Valuation (SAR) | | | 65.00 |
| Current market price (SAR) | | | 57.35 |
| Upside/Downside (%) | | | +13% |

1) DCF Method:

Saudi Basic Industries Corporation is valued using free cash flow to the firm. We have discounted the cash flow using the weighted average cost of capital of 8.3%. It is arrived after using the cost of equity of 9.0% and the cost of debt of 5.4%. Cost of equity is calculated by using a 10-year government bond yield of 5.2%, beta of 0.9 and equity risk premium of 4.2%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.5%.

| | |
|--|----------------|
| Sum of PV (SAR, Mn) | 32,366 |
| Terminal value (SAR, Mn) | 180,228 |
| Net debt (as of Mar 2025) | -13,069 |
| FV to Common shareholders (SAR, Mn) | 199,526 |
| No. of share (Mn) | 3,000 |
| Current Market Price (SAR) | 57.35 |
| Fair Value per share (SAR) | 66.51 |

DCF Method

| (All Figures in SAR Mn) | FY 2025E | FY 2026E | FY 2027E | FY 2028E | FY 2029E |
|--------------------------------------|--------------|--------------|--------------|---------------|---------------|
| NOPAT | 1,440 | 7,454 | 9,743 | 11,721 | 13,604 |
| Depreciation & Amortization | 11,745 | 11,824 | 11,885 | 11,888 | 11,757 |
| Capex | -13,117 | -12,659 | -12,929 | -11,748 | -10,363 |
| Change in Working Capital | 1,068 | 114 | -373 | -370 | -377 |
| Free Cash Flow to Firm (FCFF) | 1,136 | 6,733 | 8,325 | 11,492 | 14,621 |
| Discounting Factor | 0.97 | 0.89 | 0.83 | 0.76 | 0.70 |
| Discounted FCFF | 428 | 6,023 | 6,874 | 8,757 | 10,283 |

Source: FAB Securities

2) DDM Method:

Saudi Basic Industries Corporation regularly pays semi-annual dividends and is expected to continue paying dividends in the forthcoming period. The dividend is discounted at the cost of equity of 8.8%.

| | |
|--|----------------|
| Sum of PV (SAR, Mn) | 46,459 |
| Terminal value (SAR, Mn) | 136,170 |
| FV to Common shareholders (SAR, Mn) | 182,629 |
| No. of share (Mn) | 3,000 |
| Current Market Price (SAR) | 57.35 |
| Fair Value per share (SAR) | 60.88 |

| (All Figures in SAR Mn) | FY 2025E | FY 2026E | FY 2027E | FY 2028E | FY 2029E |
|----------------------------------|--------------|---------------|---------------|---------------|---------------|
| Dividend Paid | | | | | |
| H1 | 4,502 | 5,852 | 6,002 | 6,002 | 6,302 |
| H2 | 4,502 | 5,852 | 6,002 | 6,002 | 6,302 |
| Total Dividend | 9,003 | 11,704 | 12,004 | 12,004 | 12,604 |
| Discounting Factor | 0.97 | 0.89 | 0.81 | 0.75 | 0.69 |
| Present Value of Dividend | 8,706 | 10,384 | 9,771 | 8,964 | 8,635 |

Source: FAB Securities

3) Relative Valuation:

We have used local as well as international peers to value Saudi Basic Industries Corporation and valued using the EV/EBITDA multiple of 13.8x in line with peers.

| Company | Market (USD Mn) | EV/EBITDA (x) | | P/E (x) | |
|--|--------------------|---------------|--------------|--------------|--------------|
| | | 2025F | 2026F | 2025F | 2026F |
| Saudi Kayan Petrochemical Company | 1,839 | 16.36 | 7.88 | NM | NM |
| Sahara International Petrochemical Company | 3,465 | 10.46 | 7.90 | 22.04 | 18.46 |
| Saudi Arabian Mining Company | 54,003 | 16.43 | 15.77 | 30.23 | 26.75 |
| LyondellBasell Industries | 17,182 | 9.88 | 7.80 | 18.35 | 10.94 |
| Yanbu National Petrochemical Company | 4,504 | 11.33 | 8.10 | 41.22 | 27.47 |
| Advanced Petrochemical Company | 2,104 | 20.35 | 11.51 | 35.16 | 12.51 |
| Average | | 14.1x | 9.8x | 29.4x | 19.2x |
| Median | | 13.8x | 8.0x | 30.2x | 18.5x |
| Max | | 16.4x | 10.7x | 35.2x | 26.7x |
| Min | | 10.7x | 7.9x | 22.0x | 12.5x |

Source: FAB Securities

Research Rating Methodology:

| Rating | Upside/Downside potential |
|------------|---------------------------|
| BUY | Higher than +15% |
| ACCUMULATE | Between +10% to +15% |
| HOLD | Lower than +10% to -5% |
| REDUCE | Between -5% to -15% |
| SELL | Lower than -15% |

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